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Defense Resources Management Institute (DRMI)

DRMI Newsletter

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# DRMI Newsletter / October 2011 Issue 37

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# DRMI Newsletter

Issue 37

[www.nps.edu/DRMI](http://www.nps.edu/DRMI)

October 2011

## DRMI Program Mission

Established in 1965, DRMI's mission is to enhance the effective allocation and use of scarce resources in modern defense organizations by developing participants' analytical decision-making skills. DRMI faculty teach key concepts in management, economics and quantitative reasoning. In addition, the DRMI curriculum uses real-world cases in contexts that include contemporary issues.

### Send Us Your News!



Get promoted? Change jobs? We want to hear from you! Stay connected with DRMI by sending us your news and making sure we have your current e-mail address. When a new newsletter becomes available, we'll send you an email with a newsletter link so you can keep in touch with your classmates and stay informed as to the latest with DRMI. Send your news to [drmiadmin@nps.edu](mailto:drmiadmin@nps.edu).

## Issue 37 Highlights

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DEFENSE RESOURCES MANAGEMENT INSTITUTE



**Francois Melese**  
*Executive Director,  
DRMI*

## Musings from Francois Melese

### DRMI's Executive Director

The Secretary General of NATO recently emphasized the importance of “smart defense” (WSJ 5/13/11 p.A13). As the global economy struggles and pressures build on defense budgets, countries find themselves faced with difficult choices. Global threats from terrorism, weapons proliferation, piracy, cyber warfare, etc., make it more vital than ever to engage in smart defense with our friends and allies. This requires cooperative initiatives to provide greater security with fewer resources. Budget balancing is likely to take big bites out of defense capabilities. For example, the U.S. is likely to address its national debt in part by cutting and cancelling major weapon systems, reducing ground forces, and downsizing its presence abroad. As U.S. military commitments are restructured to adapt to new funding realities, the importance of good governance and strong partnerships will grow.

The value of DRMI courses in building strong institutions, improving financial management, and increasing communication, coordination and understanding will become progressively more important to regional and global security. In this new and challenging environment, DRMI graduates have an unfair advantage. They can draw upon economic, management and quantitative tools and techniques learned in lectures and applied in case studies to improve the efficiency and effectiveness of their defense organizations. They can also leverage the programmatic approach to defense resources management that offers a medium-term expenditure framework to  
*(continued on page 4)*

## Resident Programs

During the last quarter, DRMI graduated a total of 145 students from four different courses—the Senior International Defense Management Course 11 (SIDMC), Defense Resources Management Courses (DRMC) 11-4 and 11-5, and the Multi Criteria Decision Making 11 course (MCDM).

### Senior International Defense Management Course 11

SIDMC 11 commenced on June 27 and hosted 45 senior military and civilian officials from 29 countries including two Americans, Brigadier General Paul W. Brier, USMC and Captain Thomas G. Reck, USNR, Director, US Sixth Fleet Reserve Force. This was the 42nd offering of the annual four-week course. The diverse group of senior decision makers spent the four weeks working and exchanging ideas in the area of strategic defense resources management. DRMI faculty presented a strategic decision making framework for the top level planning and resources allocation decisions that must be made in today's complex security environment. The DRMI curriculum was enhanced with guest speaker presentations by Bob Hale, the OSD Comptroller, and retired General Mike Carns, former vice-chief of staff of the USAF. The class enjoyed a three-day tour of San Francisco, visiting the Intel Corporation Museum and the USS Hornet. The class graduated on 22 July. DRMI wishes the very best for this year's graduates as they return home to their respective countries.

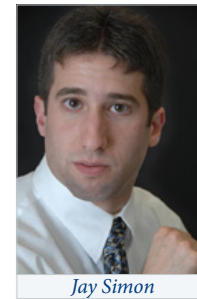
### Defense Resources Management Courses 11-4 and 11-5

DRMC 11-4 began on July 25 with 18 internationals and 20 Americans from 11 countries including the United States, and concluded on August 18. The four-week course addressed many key concepts and ideas that contribute to efficient and effective defense resources management. The course included a well-received guest presentation on 15 August by Ms. Gretchen Andersen, Director of Revolving Funds, OUSD Comptroller.

Immediately after, DRMC 11-5 opened on August 22 with 26 international and 19

American participants. It concluded on September 16. Jeff Eanes, senior management analyst at the Office of the Director of Administration and Management in the Office of the Secretary of Defense, gave a well-received presentation to the class. During their stay, both DRMC courses enjoyed scenic tours of the Monterey Peninsula and visits to the Monterey Bay Aquarium.

### Multi-Criteria Decision Making Course



*Jay Simon*

The Multi-Criteria Decision Making Course opened with a welcome coffee reception on Monday, 22 August. Eighteen participants from Colombia, Israel, Latvia, Saudi Arabia, Serbia, and the United States attended, includ-

ing two graduates of DRMC 11-4 and three alumni from other DRMI courses. The DRMI faculty team consisted of Associate Professors Diana Angelis, Eva Regnier, and Anke Richter, Professors Kent Wall and James Morris, Assistant Professor Jay Simon (course coordinator) and Senior Lecturer Don Bonsper. The MCDM course develops a structured approach to support decision makers in defense organizations. The lead Army analyst for the most recent round of the Base Realignment and Closure process gave a well-received guest lecture. The course concluded with the participants making project presentations that have direct relevance to their parent organizations. The course concluded 2 September 2011.

### International Defense Resources Management Course 11-2

At press time, DRMI faculty and staff are busily preparing for the start of IDMC 11-2 on Sunday, September 25. We expect to welcome approximately 40 participants with brunch on Sunday followed by the course opening on Monday morning, September 26. The 11-week course will cover resources management topics ranging from program budgeting to analytical decision making to logistics to performance management. The course will conclude on 9 December. ■



## Mobile Programs

### DRMI Conducts One-week Course in Honduras



*Luis Morales*

Senior Lecturers Larry Vaughan and Don Bonsper, Assistant Professor Jason Hansen, and Lecturer Luis Morales (coordinator) conducted a one-week course at the Honduras National Defense College (CDN) 5-9 September 2011 in Tegucigalpa. This year's offering marks the 20th course DRMI has presented in Honduras. The strong relationship with the CDN started in 1991 with the new Expanded International Military Education and Training program (E-IMET). Honduras was the first country to take advantage of the E-IMET opportunities and has continued to invite DRMI to participate in their CDN curriculum ever since. A diverse group of 34 senior military and civilian officials, including representatives from Taiwan and the Dominican Republic, attended the course. DRMI expects to return again next year.

### DRMI to Conduct Human Resources Course in Jordan



*Steve Hurst*

At press time, DRMI faculty members Senior Lecturer Steve Hurst (coordinator), Professor Jim Morris and Assistant Professors Jomana Amara and Laura Arney are in Jordan presenting the first of a series of courses

on human resources to members of the Jordanian Armed Forces (JAF). The course will assist the JAF in educating members of their services who work in human resources management. The course will provide the theoretical background necessary for total force management and will introduce concepts of practical application to the military such as career development for officers and NCOs and training and development for defense. The course will also provide concepts and information for the ongoing integrating of women and civilians in the armed forces. DRMI looks forward to a successful association with the JAF.

### Iraq Senior Executive Management Workshops

DRMI recently presented two Senior Executive Management workshops in Iraq. Each course lasted ten days. The first, from 3-13 July, was conducted in Baghdad. Lecturers Luis Morales and Mark Hladky led the workshop at the High Institute of the Baghdad Police College to 49 senior officers (16 general officers, 31 colonels, one lieutenant colonel and one civilian) from the Iraq Ministry of the Interior (MoI), Kurdistan MoI and Ministry of Peshmerga (the Kurdistan Region Army). The interactive workshop presented key areas of high level resources management including strategic planning, risk management, multi-criteria decision making and performance management. Workshop participants conducted exercises that required them to apply concepts presented and then had to brief and defend their analyses to fellow participants and to DRMI faculty members. The exercises also allowed participants to compare and contrast the common challenges presented with Iraqi resource allocation practices to determine how they might be improved.



*Mark Hladky*

Senior Lecturer Stephen Hurst and LTC Mike Nixon, USA conducted a follow-on workshop in the city of Erbil, 17-28 July. Erbil is located in the Kurdish region of northern Iraq and is considered the capital city of the region. As was the case with the preceding workshop in Baghdad, the workshop was designed to introduce the senior leadership of the MoI, the KMoI and the Ministry of Peshmerga to the concepts of strategic planning, risk analysis and program budgeting. Attendance at the workshop included five general officers, 39 colonels and three lieutenant colonels. As is always the case in Iraq, the workshop resulted in a very spirited debate of the issues. The participants were also quick to share their many personal experiences of real-world examples of the international best practices presented during the workshop.



*LtCol Mike Nixon*



*Former participants BG Yousef (IRMC 11-2) and MG Jamal (IRMC 10-3) at a dinner with Steve Hurst and LTC Nixon*

These workshops were the 14th and 15th workshops conducted in Iraq by DRMI faculty since 2008. In addition to the executive management workshops, previous efforts have covered such subjects as budget preparation, project management and analytical decision making.

### DRMI Faculty Conducts DIRI Working Group in Peru

For the second time, Associate Professor Natalie Webb joined a team of faculty and consultants working with the Peruvian Ministry of Defense and armed forces as part of the Defense Security Cooperation Agency's Defense Institution Reform Initiative (DIRI) program July 11-15 in Lima. The U.S. DIRI team met with the Peruvian officials to continue discussing defense planning and budgeting for results. Over a three-day period, the group discussed the issues and challenges facing the MoD and military services in creating and integrating a framework within which defense organizations can link goals to programs to budgets. ■



*Natalie Webb*

## Musings from Francois Melese (cont.)

build and execute budgets that accomplish defense policy goals within realistic funding levels. DRMI's graduates have another valuable opportunity—to draw on experienced alumni from across the nation and around the world, including our own world-class faculty, for guidance and support. We are stronger when we work together.

Since 1965 DRMI has had the vital responsibility of making human capital investments in our domestic defense managers and foreign partners to build and support more efficient and effective defense institutions. Global peace and prosperity require good governance, smart defense, ongoing diplomacy, and economic growth and development. Budget deficits that face many countries today call for a new, cooperative approach to security. As nations cut defense expenditures, there are strong incentives to work more closely together to maintain and preserve capabilities we can no longer afford individually. I am confident that adopting core concepts and principles taught at DRMI provides a powerful framework and universal language to help coordinate security activities and build a more peaceful and prosperous future. Please remember to share your successes and lessons with us so we continue to improve. ■

## Facebook

### Would you be my friend?

Facebook is a free social networking website offering a method for "friends" to exchange electronic messages and digital photos. Facebook is user-friendly and it is easy to create an account. To find DRMI on Facebook, search for "DRMI Courses" and click on the button. It would be extremely helpful if past participants would include a message indicating when they attended DRMI when sending the friend request. At the last count, DRMI had over 250 friends; will you be our next? ■

## Research and Publications

### DRMI Faculty Co-author new Cost-Benefit Analysis Book



Diana Angelis

Associate Professor Diana Angelis is completing a chapter on cost estimation with Visiting Professor Daniel Nussbaum from the Operations Research department for a book titled, "Lifting the veil: The theory & reality of military cost-benefit analysis," edited by DRMI's Professor Francois Melese and Associate Professor Anke Richter. Dr. Angelis and Associate Professor Jonathan Lipow will also complete a chapter on present value analysis and discount rates for the same book.

### Lipow Publishes on Military Conscription



Jon Lipow

Associate Professor Jonathan Lipow and co-author Dr. Peter Berck of UC Berkeley published a paper entitled "Military conscription and the socially optimal number of boots on the ground" in the August edition of *Southern Economic Journal* (78, 95-106).

### Lipow, Simon Publish on Military Reserves

A paper by Associate Professor Jonathan Lipow and Assistant Professor Jay Simon, titled "Military reserves and social welfare" has been accepted for publication in *Economics Letters*. This paper demonstrates that reserve forces may be beneficial to a country even in the absence of wartime spikes in demand for soldiers. The use of reserves can make it possible to recruit higher quality personnel; whether this is worth the additional cost depends on the relationship between individuals' civilian wages and their value to the military.

### McNab Publishes on Program Budgeting

Associate Professor Robert McNab published "Implementing program budgeting in the Serbian Ministry of Defense" in the journal *Public Budgeting and Finance* 31 (2), 117-131.

### Simon, Melese have Papers Accepted in *Decision Analysis*

A paper by Assistant Professor Jay Simon and Professor Francois Melese, titled "A multiattribute sealed-bid procurement auction with multiple budgets for government vendor selection," was accepted for publication in the September 2011 issue of *Decision Analysis*. The paper introduces a framework for incorporating budget uncertainty into the solicitation and comparison of vendor bids. Dr. Simon is also a coauthor of another paper in the same issue, titled "Consistency among elicitation techniques for intertemporal choice: A within-subjects investigation of the anomalies." This paper tests whether certain previously-observed time discounting phenomena may be artifacts of the method by which information is elicited from subjects.

### Webb Publishes in Nonprofit Journal

Associate Professor Natalie Webb and several coauthors recently had accepted an article on individuals who volunteer for social change based on their religious affiliation. See Chao, G., Webb, N.J., Abzug, R. & Peck, L. (In press) "Religious tradition, religious attendance and volunteering for social change." *Nonprofit and Voluntary Sector Quarterly*.

### DRMI Faculty Serve Academic Communities

In the last quarter, Associate Professor Jonathan Lipow reviewed a paper for *Public Choice*, an economics journal that focuses on public policy. Associate Professor Robert McNab served as a reviewer for the *World Development* and *Economic Inquiry*. Assistant Professor Jay Simon served as a reviewer and an ad-hoc associate editor for articles submitted to *Decision Analysis*. He is a member of the *Decision Analysis* editorial board. Associate Professor Natalie Webb serves on the editorial board of and served as a reviewer for *Nonprofit Management and Leadership*.

### DRMI Faculty attend Western Economics Association Conference

Associate Professor Jonathan Lipow, Assistant Professors Laura Armey and Jay Simon,

## Research and Publications (cont.)



Laura Armev

and Research Associate Kathleen Bailey attended the Western Economic Association's Annual Conference 29 June – 3 July in San Diego, CA. Dr. Lipow presented two papers at the conference, one co-authored with DRMI Executive Director Francois Melese and one co-authored with UC Berkeley Professor Peter Berck. Dr. Simon presented "Military reserves and social welfare," which he co-authored with Dr. Lipow. Dr. Armev and Ms. Bailey presented their paper on the impact of oil price fluctuations on civil wars.

### Seifert Reviews Academic Submissions

Lecturer LCDR Anthony Seifert, in August, consulted to the Congressional Research Service *CRS Report for Congress* regarding military retirement, specifically addressing the obstacles and advantages of converting non-disabled military retiree benefits to a corporate style 401K program. ■



Anthony Seifert

## Faculty and Staff News

### Professor Jim Morris receives Williams Outstanding Professor Award



Jim Morris

Professor Jim Morris received the Williams Award in recognition of his professionalism and dedication to the education of DRMI participants. Dr. Morris is consistently recognized by his peers and by DRMI participants as providing insights into leadership and the managerial decision making process. Professor Morris also serves as a teaching mentor to junior faculty and provides insight into developments in the DRMI curricula. Professor Morris' efforts bring credit to himself, the Defense Resources Management Institute, and the Naval Postgraduate School.

### Angelis Continues Research with Systems Engineering

Associate Professor Diana Angelis continued research with the Systems Engineering department at NPS on developing a new way to teach systems engineering. The work is part of a project sponsored by the Director, Defense Research and Engineering (DDR&E) titled "Building Education & Workforce Capacity in Systems Engineering."

### Angelis Presents Cost-Benefit Analysis for Army Cost Management Certificate Program

Associate Professor Diana Angelis was invited to present a two and a half day workshop on cost-benefit analysis (CBA) as part of the Army Cost Management Certificate Course (CMCC) offered at NPS. The CMCC is an intense four week resident course designed to teach students how to manage Army business operations efficiently and effectively through the accurate measurement and thorough understanding of the full cost of business processes, products, and services. The CBA workshop led the students through the steps described in the Army Cost Benefit Analysis Guide using a variety of case studies that allowed students to practice principles taught earlier in the week. The workshop culminated with presentations of CBAs developed by student teams.

### Lipow Interviewed on Radio Halifax

Associate professor Jonathan Lipow was interviewed on Radio Halifax FM 95.7's Maritime Morning Show. The interview focused on Dr. Lipow's research on the public safety benefits of a cashless economy.

## Faculty and Staff News (cont.)

### Major Todd Ferris, USMC, Joins DRMI Faculty

Major Todd Ferris, U.S. Marine Corps, Lecturer, earned his BS in Mechanical Engineering from the United States Naval Academy (1996) and his MS in Operations Research from the Naval Postgraduate School (2008).



Todd Ferris

His primary military occupational specialty is an electronic countermeasures officer in the EA-6B Prowler. Major Ferris served in operations, maintenance, and safety billets from 2000-2003 in Cherry Point, NC, and was a weapons and tactics instructor for the squadron. Following this assignment, Major Ferris served from 2003-2006 in China Lake, CA, as an operational test director for various electronic warfare projects until moving to Monterey, CA, for graduate education. Upon completion of his Master's Degree from NPS, Major Ferris executed his payback tour in the Operations Research Department within Logistics Command in Albany, GA from 2008-2011. During this tour, Major Ferris was involved with design, development, and implementation of decision support tools for depot level maintenance planning of Marine Corps ground equipment. His personal decorations include two air medals, one for individual action, Navy and Marine Corps Commendation Medal (two awards), Navy and Marine Corps Achievement Medal, and various campaign and unit commendations. Major Ferris joined the DRMI faculty in May of 2011. Welcome Major Ferris!

### McNab Provides Technical Expertise

In June, Dr. Robert McNab traveled to Washington, DC to meet with sponsors in the US Department of Defense on topics related to economic security. He also provided technical support to NATO Training



Bob McNab

Mission-Afghanistan on the development of a resource management system for the Islamic Government of the Republic of



## Future Course Dates

DRMC courses now open to GS-09 and above and officers of rank O-3 and above.

### Tentative Resident Course Schedule For 2011/2012

- **11 -21 October 2011**  
Multi-criteria Decision Making Course
- **9 Jan - 3 Feb 2012**  
Defense Resources Management Course
- **6 Feb - 18 Apr 2012**  
International Defense Management Course
- **6-10 Feb 2012**  
Performance Management and Budgeting Course
- **21-30 Mar 2012**  
Budget Preparation Execution and Accountability Course

## Faculty and Staff News (cont.)

Afghanistan. In Addition, Dr. McNab provided technical support to the International Security Assistance Force in Afghanistan on the development of metrics with regards to civic action projects. In September, Dr. McNab traveled to Bosnia in support of the United States Partnership for Peace Training Center where he discussed anti-corruption and integrity building efforts with respect to resource management systems.

### McNab Hosts Seminar on Climate Change, Economic Change and National Security

Associate Professor Robert McNab, with Dr. Mie Augier of the Global Public Policy Academic Group, co-hosted a seminar on climate change, economic change, and national security with Dr. Sidney Winter on August 23, 2010.

### Orsburn Facilitates Cross-cultural Simulation Exercise



Charlie Orsburn

On August 28, Ms. Charlie Orsburn facilitated the *Bafa Bafa* simulation, evaluation, debriefing and needs assessment for 36 U.S. captains, majors, lieutenant colonels and colonels at Fort Leavenworth Kansas as part of the U.S. Army Command and General Staff College Functional Area (FA) 30 Qualification Course. Bafa Bafa, designed to teach sensitivity to difference, provides participants the opportunity to examine the effect that values, norms and behaviors have on cross-cultural interactions. The assessment challenges participants to examine their own cultural perceptions by acting as members of imaginary cultures. The FA course prepares information operations officers to learn how to influence target audiences to change or modify their behavior and also how to integrate the informational messages and talking points across the staff. These officers are responsible for preparing their commanders and other staff members for contact with foreign nationals. Ms. Orsburn is scheduled to return for the next course in the spring of 2012.

### DRMI Faculty Teach Public Policy Course



Kent Wall

Assistant Professor Jay Simon and Professor Kent D. Wall presented GP 3300: Analytical Decision Making during 1-19 August at NPS. This was one part of a three part resident program within the Global Public Policy Academic

Group (GPPAG) of the Naval Postgraduate School. GP 3100 and GP 3200 form the other two parts. The distributed learning portion of this course was taught by Associate Professor Robert McNab. Twenty-one students from five elements of the United States Army Civil Affairs and Psychological Operations and the John F. Kennedy Special Warfare Center and School participated.

GP 3300 is a highly concentrated course tailored to the practitioner. The course begins with concepts and principles of decision making taken from systems analysis. Special emphasis is placed on problem formulation and the discovery of decision maker goals and objectives. The construction of an objectives hierarchy is the main tool for linking the strategic interests with the operational level. A cost-effectiveness framework derived from the objectives hierarchy provides the means by which the benefits and costs of alternatives are evaluated. Students applied the concepts and tools to a problem in resource allocation encountered in planning a civil affairs mission for a rural agricultural district: the selection of a portfolio of projects that will provide maximum effectiveness subject to a budget constraint.

### Webb teaches at Brown University

Associate Professor Natalie Webb taught two courses in the Brown University pre-college summer program Jul 25 – Aug 5. The courses, titled “Economics in the Technical Age” and “Making Informed Financial Decisions in Today’s World Economy” are offered as part of an intensive college preparatory experience for high school students. Students ranged from rising high-school sophomores to rising college freshmen and came from 10 countries. ■

## Recent DRMI Graduates

DRMI congratulates all the recent graduates!



*Class Photo: SIDMC 11-1*



*Class Photo: DRMC 11-4*



Recent DRMI Graduates (cont.)



*Class Photo: DRMC 11-5*



*Class Photo: MCDM 11-1*